

MINUTES ADOPTED BY CITY COUNCIL

Greenville, NC
March 6, 2006

The Greenville City Council met in a regular meeting on the above date at 6:00 PM in the City Council Chambers, third floor of the Municipal Building, with Mayor Robert D. Parrott presiding. The meeting was called to order, followed by the invocation by Mayor Robert D. Parrott and the pledge of allegiance to the flag. The following were present.

Mayor Robert D. Parrott
Mayor Pro-Tem Mildred A. Council
Council Member Ray Craft
Council Member Pat Dunn
Council Member Rose H. Glover
Council Member Chip Little
Council Member Larry Spell
Wayne Bowers, City Manager
Wanda T. Elks, City Clerk
David A. Holec, City Attorney

APPROVAL OF AGENDA

City Manager Bowers requested that the first reading of an ordinance for a taxicab franchise by Robert Barnes be continued until April 10, 2006.

Motion was made by Council Member Glover and seconded by Council Member Spell to approve the agenda as presented, with the continuance until April 10, 2006 of the first reading of an ordinance for a taxicab franchise by Robert Barnes. Motion carried unanimously.

APPROVAL OF CONSENT AGENDA - APPROVED

Motion was made by Council Member Craft and seconded by Council Member Spell to approve all the items under the consent agenda as listed below. Motion carried unanimously.

- (1) Minutes from the January 28 and February 6, 2006 City Council meetings
- (2) Consideration of various tax refunds

<u>Name</u>	<u>Reason</u>	<u>Amount</u>
Stearle Gene Pittman, Jr.	Vehicle charged in city limits in error	\$134.13
- (3) Municipal agreement with the North Carolina Department of Transportation for an External Origin-Destination Survey (Contract No. 1498)
- (4) Request by East Carolina University for fireworks displays on April 7 and April 8, 2006 as part of the 23rd Annual Pirate Pigskin Pig-Out Weekend

PRESENTATIONS BY BOARDS AND COMMISSIONS

Mid-East Commission

Mr. Tim Ware, Executive Director of the Mid-East Commission, stated that the Commission administers programs in a five county region comprising 250,000 people. The Commission has a \$11 million budget.

The Agency on Aging. The Agency on Aging has a \$2.5 million budget, which includes funding for the Medication Management Program. This is the last year of the program, and the Commission hopes to be able to keep it going. The Agency on Aging serves 37 residents in Greenville, with a benefit of \$135,000 in medication at no or low cost. The Community and Home Block Grant serves 399 citizens in Greenville, at a value of \$361,000 revenue. The Mid-East Commission looks at problems in nursing homes. The Agency serves 35 citizens from Greenville. Senior Games are sponsored by this group, in addition to senior exercise classes, that are attended by 156 Greenville residents. Over 35 Greenville residents benefit from the family caregiver support. Last year \$495,000 went into the City through the Community and Home Block Grant. The Agency on Aging also includes in-home aid, adult care, congregate meals, home delivered meals, transportation, volunteer development, etc.

Workforce Development. This includes such things as the Job Link Center, and there is one next to Pitt Community College. There are five job link centers in the region, one in each county. The goal is not to just serve people, but to train them so they can make sustainable wage. To date, \$1,018,000 has been brought into the community through this program that is administered by Pitt Community College.

Community Development Block Grant. The Mid-East Commission gets local contractors for this program. They don't do much in the City of Greenville because it has its own program. The Mid-East Commission is a member of the Metropolitan Planning Organization and contributes about \$5,000 to that through the EDA grant.

Mr. Ware concluded by stating that the City dues are \$15,119 to the Mid-East Commission, and \$1,588,000 comes back to the City, which is \$105 for each dollar contributed. He stated that he is glad to have Greenville as a partner, as Greenville does a lot for the other four counties. He thanked the City Manager for his help and commended Merrill Flood for doing such a good job on the Board of Directors.

Affordable Housing Loan Committee

Mrs. Gloria Kesler, Staff Liaison to the Affordable Housing Loan Committee, informed the Council that the Committee recently appointed a new Chair and Vice Chair, who could not work their schedules out to be here tonight. The mission statement of the Committee is to promote and preserve home ownership. Down payment assistance through the bond programs has been a good project. The paperwork has been completed for 47 individuals, and 21 have completed applications. Of those, 11 have been approved, 2 have withdrawn and two were not eligible. Of the total down payment applications approved or funded this year, 11 have closed, three are pending for new homes and three are pending for acquisition/rehabilitation.

The Affordable Housing Loan Committee has set just compensation for 30 properties within the West Greenville Revitalization area at a value of over \$648,000. Three families are in the process of finding homes to purchase through the acquisition/conversion program. The first four homes have been completed and are available for sale. The Committee has updated the down payment assistance programs and has updated the 2% no-interest loan programs to a 5% no-interest loan with a five-year repayment term. The loan cap for the elderly rehabilitation assistance program was changed from a maximum loan of \$15,000 with a 10-year repayment term to \$20,000 with a 15-year repayment term. A Homeownership Academy has been created to educate residents in the home buying process and to prepare them financially (credit, budgeting, etc.) to purchase a home within the West Greenville Revitalization area. The Affordable Housing Bond 5% No-Interest Loan Program is designed to assist potential low to moderate income, first time homebuyers with down payment or closing costs. Loans of up to 5% of the sales price of the home may be available to qualified borrowers meeting program guidelines. Assistance will be in the form of a secured loan amortized for 48 or 60 months at 0% interest. The HOME Down Payment Assistance Program is designed to assist potential low to moderate income, first time homebuyers with their down payment. A no-interest forgivable loan of \$5,000 to \$10,000 may be available to qualified borrowers meeting program guidelines. Assistance will be in the form of a secured no-interest loan, forgiven by 1/5 of the original principal balance on an annual basis for the 5-year recapture period or 1/10 of the original principal balance on an annual basis for the 10-year recapture period depending on the amount of the loan. The North Carolina Housing Finance Agency (NCHFA) 20% Deferred Loan provides an interest-free, deferred payment second mortgage loan of up to 20% of the home's sales price with a maximum of \$20,000 for new construction within the Countryside Estates Subdivision or the West Greenville New Home Construction Program. The Elderly/Disabled Rehabilitation Program assists residents that are retired, often on a fixed income and living in less than habitable housing. The program assists them in repairing their homes and bringing them up to standard. During the past year, the City received 10 inquiries for rehab assistance, with 2 applications completed and reviewed by the Committee. Two were approved for assistance for a total loan amount of \$23,436.

The Committee reviewed grant applications from local non-profits requesting funding from the Community Development Block Grant. Seven agencies were approved to receive funding this year: Greenville Community Shelter, HABITAT for Humanity, New Directions, Pitt County Council on Aging (Reverse Mortgage- Urgent Repair), Pitt County Council on Aging (SPICE), STRIVE, Inc. and Take It To The Streets with a combined grant amount of \$137,000.00. In down payment assistance from March 1, 2005 through February 28, 2006, \$224,607 has been provided for new homes through the 2005 new homes loan pool from the North Carolina Housing Finance Agency money, and \$105,000 in down payment assistance has been provided in the Countryside Estates.

Mrs. Kesler concluded by stating that to date over \$2,200,000 has been expended in grants and loans for down payment assistance, elderly rehabilitation loans and non-profit funding.

Firemen's Relief Fund Committee

Mr. Ken Lang, Chairman of the Firemen's Relief Fund Committee, informed the Council that of the five members of the Committee, two are appointed by the City Council, two by the firemen and one by the Insurance Commissioner. The Committee develops and enhances the two programs—the supplemental retirement plan and the college scholarship fund. The Committee has done a lot to enhance the two programs and increase the funds available for use. The funds have been turned over to Jonathan Powers of the Edward Jones Group to manage. The Committee issued two \$2,000 scholarships last year, which is typically done on an annual basis. The scholarship program is based on points.

FIRST READING OF ORDINANCE FOR TAXICAB FRANCHISE FOR STEVEN SMITH, D/B/A GREENVILLE'S TAXI – APPROVED ON FIRST READING; SECOND READING AND PUBLIC HEARING SCHEDULED FOR MARCH 9, 2006

City Attorney Dave Holec stated that the State has given the authority to license taxicab drivers and operations to ensure that the City has responsible and safe operations. The person is required to have a franchise granted by City Council. The City has certain factors to consider in granting an application and they are listed in Section 11-1-39 of the City Code, which he read. City Attorney Holec explained the process for granting a taxicab franchise, which includes two readings of the ordinance and a public hearing. Proper notice has been given in The Daily Reflector and notices have been mailed to other franchisees.

Assistant City Attorney Bill Little explained to the Council that the application under consideration has a couple of items that the staff was concerned about. One was there is really not enough need for an additional taxicab franchise. There are 50 authorized, and less than 50% are on the street. The City has not received any requests for additional taxicabs or has received no complaints about people being unable to get a taxi. The greater concern is with the financial responsibility for a permanent service. Mr. Little reviewed the concerns of the staff with the financial portion of the application.

Upon being asked the requirements as far as insurance is concerned, Mr. Little stated that none is required until the application is passed. At that point, the applicant has 60 days to get vehicle insurance and the inspection.

Upon being asked about another taxi being needed, Mr. Little responded that 50 taxis are authorized and less than 50% of those are operating. He has spoken with Corporal Haddock, who indicated that he has received no complaints from people saying they don't have enough taxis.

Upon being asked if he is aware of other towns that restrict taxicabs, Mr. Little stated that they are handled differently by different cities.

Discussion occurred about staff revising the application if a business plan is desired. Concern was expressed about the City delving into the finances of an applicant, and Mr. Little informed the Council that staff is trying to ensure that the business will be successful. The information provided is a public record once it is presented to the City. It is not information protected by the

privacy act. The private information, such as social security number and driver's license number have not been given out.

City Attorney Holec stated that those businesses serve the citizens of Greenville, and the City needs to ensure that it is a safe and responsible service. That is why the financial part is there, too. Staff tries to ensure that Council is aware of all the information. Staff has offered to meet with the applicant between now and Thursday night to go over deficiencies in the application.

Motion was made by Council Member Little and seconded by Council Member Glover to approve on first reading the ordinance granting a taxicab franchise to Steven Smith, d/b/a Greenville's Taxi. Motion carried with a vote of 5:1. Mayor Pro-Tem Council and Council Members Dunn, Glover, Spell and Little voted in favor of the motion. Council Member Craft voted in opposition. The ordinance as approved on first reading read as follows:

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AN ORDINANCE GRANTING A TAXICAB FRANCHISE
TO STEVEN SMITH D/B/A GREENVILLE'S TAXI

WHEREAS, the City of Greenville is authorized by G.S. 160A-304 to license and regulate all vehicles operated for hire within the City of Greenville; and

WHEREAS, the City of Greenville has adopted an ordinance, Title 1 of Chapter 11 of the Greenville City Code, requiring the operators of taxicab businesses within the City to obtain a franchise from the City permitting said operation, and said ordinance sets forth certain requirements and criteria that must be satisfied in order to obtain and maintain the franchise for the operation of a taxicab business; and

WHEREAS, Steven Smith d/b/a Greenville's Taxi, is an applicant for a franchise permitting the operation of one taxicab within the City limits; and

WHEREAS, following investigation into the qualifications of the applicant, the City Council has determined that the applicant satisfies the requirements and conditions for the operation of a taxicab business within the City and has presented evidence substantiating the public convenience and necessity of such a business;

NOW, THEREFORE, BE IT ORDAINED by the Greenville City Council that:

Section 1. A taxicab franchise is hereby issued to Steven Smith d/b/a Greenville's Taxi to permit the operation within the City of Greenville of not more than one taxicab.

Section 2. All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

Section 3. Any part or provision of this ordinance found by a court of competent jurisdiction to be in violation of the Constitution or laws of the United States or North Carolina is

hereby deemed severable and shall not affect the validity of the remaining provisions of the ordinance.

Section 4. This ordinance shall become effective immediately upon its adoption.

First reading passed on this the 6th day of March, 2006.

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PROPOSED CITY OF GREENVILLE 2006-2007 GOALS

City Manager Wayne Bowers stated that at the January 28, 2006 planning session, Council came up with 34 items and continued 10 goals from 2005. There are 46 objectives and 119 action items. His recommendation was to review them, answer questions, suggest changes, and schedule it for Thursday night for final adoption. They will then become goals for the two-year time frame.

Council Member Little requested that any changes requiring ordinance amendments should be presented to Council for input prior to actually moving forward.

City Manager stated that staff can make a list of those that require ordinance changes.

Council Member Dunn stated that in terms of priority, they should start with ones that don't cost money.

City Manager Bowers stated that they can start with those that don't cost money or those that have funds set aside. Council is being asked to review their charge. Staff will incorporate the changes and bring it back Thursday.

PRESENTATION OF DRAFT 2006-2011 CAPITAL IMPROVEMENT

Mr. Tom Tysinger, Director of Public Works, stated that this is a follow-up to the January 28 planning session. It is also the first year of the FY 2006-2011 Capital Improvement Program, which is a part of the FY 2006-07 budget. The estimated costs of all projects for the FY 2006-11 Capital Improvement Program is \$133,050,601. The estimated cost of all projects for FY 2006-07 is \$27,217,343. The estimated costs of met projects for FY 2006-11 is \$77,470,583, and the unmet projects for that timeframe total \$55,572,748. The estimated cost of met projects for FY 2006-07 is \$21,135,433, and the unmet projects total \$6,081,910. This Capital Improvement Program includes federal earmarks, existing capital reserve, proposed transfers into Capital Reserve, and over \$10 million in new long-term financing or bonds. Lease purchase is not included, because of a newly implemented Vehicle Replacement Fund. The met projects in this budget include such items as Fire/Rescue Station land acquisition; new technology such as system upgrades and expansion, city-wide network expansion, and public safety; the 45-Block Revitalization Program and Center City Revitalization Program; heavy equipment; Parking Deck #1; and the Stantonsburg Road-Tenth Street Connector (which is being funded \$2 million by Pitt County Memorial Hospital, \$2 million by East Carolina University, and \$2 million by the City of Greenville). Other major met projects include the Thomas Langston Road Extension, street

resurfacing, greenway projects, transportation center, recreation and parks master plan, Firetower Road and Red Oak Parks, and the Aquatics and Fitness Center. Unmet needs include a classroom at Fire/Rescue Station #6, Public Safety and Fire/Rescue technology, southeast and northwest libraries, scattered site housing rehabilitation, Town Common improvements, financing for warehouse development, police radio system, Bradford Creek improvements, and a community building at the Teen Center.

Mayor Parrott stated that he thought the City was going to sell the Pepsi plant, to which Mr. Tysinger responded that the City is marketing it. If it is sold, the money can be redesignated. It was recommended that not much be put into the building until a serious person expresses interest in developing it.

It was stated that technology needs to be moved along.

Upon being asked if the staff knows if there will be earmarks for public safety, City Manager Bowers stated that if it is, it will be around \$100,000.

Mr. Tysinger stated that it is his understanding that the City will be having discussions with the County on the libraries. As far as the community building at the Teen Center, it is the intent to demolish the current building and build a new one. Staff will continue to refine the Capital Improvement Program. He requested that if the Council has thoughts and ideas, that they talk with the City Manager.

Upon being asked why Brownlea Drive Extension has been taken out of the Capital Improvement Program, Ms. Bernita Demery, Financial Services Director, stated that a study is being conducted on that. The timeframe was important, too. It was more than could be done with the manpower available. Mr. Tysinger stated that they are in the process of completing the plan. They are working with the landowner and small portion of the funds are being used for the study. There is \$245,000 left.

2005-2006 CAPITAL RESERVE FUND DESIGNATIONS AND ORDINANCE - APPROVED

Ms. Demery presented to the City Council a recommendation that the transfer to the Capital Reserve for FY 2005-06 be increased to 14 percent or \$4,956,754, requiring a \$402,949 budget ordinance amendment for FY 2005-06, \$518,745 during the 2006-2007 budget for partial funding of debt service for issue of general obligation bonds approved November 2004, and \$2.5 million for partial/initial funding of the Vehicle Replacement Fund in the 2006-07 budget. With the \$80,098 Capital Reserve Interest earned to date, the recommended allocation for Capital Reserve would be \$1,615,153. Suggested designation for this transfer is \$500,000 for a parking deck, \$100,000 for sidewalk construction, \$240,000 for Fire/Rescue land acquisition, \$750,000 for new technology or Public Safety, and \$25,153 for open space for land banking.

Mayor Parrott expressed concern about the City not transferring enough money to the Capital Reserve Fund, to which Ms. Demery responded that because the City is going to a two-year budget, FY 2007-08 becomes uncertain and more difficult to budget. Having 14% would help balance the budget without a tax increase.

City Manager Bowers stated that certificates of participation (COPS) were issued for the new City Hall and other facilities. There will be an increase in debt service, and the additional funds may be needed. Last year, City Council appropriated \$481,255 from the undesignated fund balance in this year's budget to take care of the increased debt service, because it was something new that was coming on. The figure \$518,745 was approved last year for next year's budget. The City will start paying partial funding on the General Obligation bonds approved in November 2004. The Council approved \$481,000 for the current year and \$518,000 for next year. Staff is going to have to see the full debt service for the General Obligation bonds that will begin to be issued in October. Going from 12% to 14% was an attempt to be able to possibly draw some of that money down in 2008 just as has been done the last two years to smooth over the increase in debt service without impacting the operation. Staff doesn't have an exact figure. Staff will probably recommend that some figure of that magnitude be set aside for undesignated fund balance to smooth over those new bonds. That was one of the reasons it was felt they needed to increase some of the reserves and pull some of those down for the increased debt service.

Upon being asked if staff is anticipating an increase in tax base or sales tax between now and 2008, Ms. Demery responded that the increase may be substantial.

The Mayor expressed concern and discussion occurred about going to 14% in reserves, when the Local Government Commission only requires that it be eight percent. With the capital needs the City has, he would prefer to see the money spent on capital projects.

Ms. Demery and City Manager Bowers explained that it would be a good safety net to eliminate budget concerns for 2008. Revenues have been estimated for the next two years more closely. The City is more dependent on sales tax as it has become a larger portion of the budget. Those numbers are pushed considerably.

Upon being asked if a two-year budget is being proposed, City Manager Bowers stated that technically it is a two-year budget, but it is actually one year budget and a second year plan, because by State law, a budget has to be adopted every year.

Mayor Parrott stated that for the last four or five years, the City has been very conservative with putting money in the Capital Reserve account. It would be foolish to anticipate the revenues coming in. Based on the building permits and in talking with Greenville Utilities, and the increase in building permits, the tax base won't go down and the property tax won't go down. Based on the retail activity in the City, he doesn't see that over the next several years. He feels that the City is being too conservative. He asked that staff take another look at this and bring it back Thursday night.

Council Member Glover stated that she felt it was practicing good government and making sure the City doesn't get in a bind.

Motion was made by Council Member Glover and seconded by Council Member Dunn to approve the 2005-2006 Capital Reserve Fund with the recommended transfers as presented by staff. Motion carried unanimously. (Ordinance No. 06-21)

BUDGET ORDINANCE AMENDMENT #8 TO 2005-2006 CITY OF GREENVILLE
BUDGET AND CAPITAL PROJECT BUDGET ORDINANCES - ADOPTED

Ms. Demery stated that this has two amendments establishing capital projects funds for the South Tar River Greenway project at \$1,480,000 and sidewalk construction project at \$575,600, with the largest portion of that money being funded by the North Carolina Department of Transportation. In the General Fund budget there are allocations for recreation donations to support the eastern regional basketball tournament. There are various items that have been discussed, such as the designation of Brownlea Drive, Phase 2, for the engineering and design that will be transferred to Capital Reserve. The 200,000 that was in Powell Bill for sidewalk construction will be going into this sidewalk construction program that will be more than one fiscal year to complete that project. There is also the transfer from Capital Reserve of \$1,535,060, which is what was approved. One final project would be the Guy Smith stadium.

Motion was made by Council Member Dunn and seconded by Council Member Craft to adopt Budget Ordinance Amendment #8 to the 2005-2006 City Of Greenville Budget and Capital Project Budget ordinances. Motion carried unanimously. (Ordinances 06-22, 06-23 and 06-24)

REVISED CITY OF GREENVILLE INVESTMENT POLICY - APPROVED

Ms. Demery stated that the revised investment policy continues with the primary objective, which would be safety, liquidity and yield. The City has approximately 33 million in investments. An investment committee was formed in January that consists of the City Manager, the Assistant City Manager, the Financial Services Director and the Financial Services Manager. The revised Investment Policy includes the procedures for the operation of the investment committee and includes a form for due diligence as they do investments for the City. Those are the major revisions. Staff is recommending that the current policy be replaced with this policy.

Mayor Parrott stated that he would like to see an outside advisory group made up of investment people in the community that could come and talk with this committee on a quarterly basis and give advice as to what is happening as far as what is going on in the investment world. There may be a group willing to come in and do that monthly or quarterly at no charge to the City. He would like to see that added to this policy.

Council Member Craft stated that there have been some financial people who have said they would like to serve if an opportunity arose. These people should have the same opportunity as others serving on committees.

Mayor Parrott suggested having one of those individuals on the committee that would meet once a month and then have an advisory group. He suggested that staff take this back and bring something to Council to look at. He suggested involving investment management people, bankers, and someone from the University.

Ms. Demery stated that there is an investment association that the governmental finance officers across the state who invest belong to. Staff also has technical support from the School of Government.

Mayor Parrott felt that there were a lot of citizens whose expertise does not get drawn upon.

Ms. Demery stated that there could be a conflict if the City does business with the people on the committee.

Upon being asked about the legality, City Attorney Holec stated that there is a prohibition if they are a public official and involved in making or administering a contract. Staff would need to look to see if the people fall into that category.

City Manager Bowers stated that it would be helpful to get an outside viewpoint. Greenville Utilities has as much money to invest as the City, so that committee could serve both entities. The proposed policy just carries out the State law that says the Director of Financial Services makes the decisions. Many others assist in an advisory capacity because the fiduciary responsibility is the Financial Services Director. Setting aside a committee of private financial advisors, stockbrokers and maybe professors familiar with finance, and investing in an advisory capacity could be constructive. Staff will work to bring back some structure for Council's consideration. This policy carries on a lot of things already in place with reporting requirements. City Manager Bowers recommended that Council approve this. Staff will bring back some advisory committee information in the future.

Motion was made by Council Member Craft and seconded by Council Member Spell to approve the recommendation to accept the Revised City of Greenville Investment Policy. Motion carried unanimously. The document, as approved, read as follows:

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CITY OF GREENVILLE INVESTMENT POLICY

Authority:	G.S. 159-30: Investment of Idle Funds
Supersedes:	City of Greenville Investment Policy dated February 12, 1998
Review Responsibility:	Investment Committee
Review Schedule:	Annually or as needed
Approval Needed:	City Council
Approved on:	March 6, 2006

PURPOSE

The purpose of this investment policy is to establish guidelines for the City of Greenville for the efficient and prudent management of public funds, in accordance with North Carolina General Statutes.

SCOPE

This policy applies to the investment of all funds of the City of Greenville with the exception of investment of employee's retirement funds and 401K funds (which are invested by the State of North Carolina) and certain bond issues. Except for cash in certain restricted and special funds, the City of Greenville will consolidate cash balances from all funds to maximize investment earnings (pooling of funds). The accounting for the individual fund cash balances will continue to be maintained separately. Investment income will be allocated to the individual funds based on their respective participation and in accordance with generally accepted accounting principles. Where applicable, this policy also incorporates the following Government Accounting Standards Board Statements:

- I. GASB Statement No. 31 - *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, implemented July 1, 1997. It should be noted that GASB Statement No. 32 amends No. 31 but only as it applies to Section 457 plans so it is not applicable to the City of Greenville.
- II. GASB Statement No. 40 – *Deposit and Investment Risk Disclosure*, effective July 1, 2004.

OBJECTIVES

The City of Greenville's primary investment objectives, in priority order, shall be safety, liquidity, and yield:

- I. Safety – Safety of principal is the highest objective of this policy. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.
 - a. Credit Risk – The City of Greenville will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the safest type of securities
 - Pre-qualifying the financial institutions, advisers, brokers/dealers and intermediaries with which the City of Greenville will do business with (as described on page 5 of this policy)
 - Diversifying the investment portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities
 - b. Interest Rate Risk – The City of Greenville will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
 - Evaluating cash flow requirements and structuring the maturity of investments accordingly in order to avoid selling securities on the open market prior to maturity
 - Investing primarily in shorter-term securities, such as bank money market accounts, when long-term rates are less attractive.

- I. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the maturity of investments to meet the anticipated cash needs. In addition, since all possible cash demands cannot be anticipated, the portfolio will consist largely of securities with active resale markets.
- II. Yield – The portfolio shall be designed with the objective of attaining a market rate of return. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The investments prescribed in this policy are limited to relatively low risk securities and therefore, it is anticipated they will earn a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
 - A security swap would improve the quality, yield, or target duration in the portfolio
 - Liquidity needs of the portfolio require that the security be sold
 - A security with declining credit may be sold early to minimize loss of principal

STANDARDS OF CARE

- I. Prudent Person Rule – The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. The standard states, “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as, the probable income to be derived.”

Investment Officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided the deviations from expectations are reported in a timely fashion and the subsequent liquidity and sale of securities are carried out in accordance with the terms of this policy.

- II. Responsibility – In accordance with North Carolina General Statute 159-30, the Director of Financial Services is designated as the Investment Officer of the City of Greenville and is responsible for managing investments subject to whatever restrictions and directions the governing board may impose. The Director of Financial Services shall have the power to purchase, sell, and exchange securities on behalf of the governing board. In order to promote efficiency of investment duties and related activities, the Director of Financial Services may, at his/her option, designate one or more staff members to perform the functions of cash management and investing. Employees involved in these functions shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy.
- III. Investment Committee – The investment committee will consist of the City Manager, Assistant City Manager, Director of Financial Services, and Financial Services Manager. Members of the investment committee meet monthly to determine general strategies and

monitor results. At which point, it advises the Director of Financial Services, who is the designated Investment Officer on investment options. The committee includes in its deliberations such topics as: economic outlook, portfolio diversification, maturity structure, potential risks to the government's funds, authorized depositories, brokers and dealers, and the target rate of return on the investment portfolio.

The investment committee will review the investment policy periodically and recommend approval of changes to City Council. The committee shall perform such other duties as may be assigned to it by this policy or upon motion of the governing board.

- IV. Conflicts of Interest – Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions that conduct business with the City of Greenville. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. This disclosure need not include normal banking or brokerage relationships that are at normal market rates and conditions available to the general public.

SUITABLE AND AUTHORIZED INVESTMENTS

I. Investment Instruments

North Carolina General Statute 159-30 provides the legal limitations of types of investments permitted for local governments. Within these limitations, the following investments are authorized:

- a. United States Treasury Bills, Notes, and Bonds or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There shall be no limit on the percentage of the portfolio invested in these instruments
- b. U.S. Government Agency Securities or U.S. Government Instrumentality Securities – the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Macs); the Federal Home loan Banks; the Federal National Mortgage Association; and others as allowed by state statute
- c. North Carolina Capital Management Trust
- d. Certificates of Deposit with banks and savings and loan associations having their principal office in North Carolina
- e. Banker's Acceptances provided that the accepting bank or its holding company bank is either 1) incorporated in the State of North Carolina or 2) has outstanding publicly held obligations bearing the highest rating of at least one nationally recognized rating service

- f. Commercial Paper of the highest quality as defined by the North Carolina General Statute
- g. North Carolina State and Local Bonds of the highest rating

This policy specifically limits the purchase of Stripped Instruments (Derivative Security) and Repurchase Agreements. Although, these are allowed by State Statute, the Stripped Instruments have considerable market risk attached to them and the Repurchase Agreements have strict compliance rules. [This exclusion does not apply to permissible Government Agencies.]

SELECTION OF INVESTMENTS

Selection of investments will be made in one of two ways. Some investments, particularly Certificates of Deposit, unless purchased through a liquid managed cash will be selected based on a competitive basis through quotes. Alternatively, electronic information sources (e.g. Bloomberg) may also be utilized to verify a dealer's pricing by accessing real-time market data.

DEALERS AND FINANCIAL INSTITUTIONS

A list will be maintained of financial institutions that are approved for investment purposes. A list will also be maintained of approved security broker/dealers selected by creditworthiness, which will largely be the "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) Rule. All financial institutions and brokers/dealers who desire to become qualified for investment transactions with the City of Greenville may be required to submit the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with the City of Greenville's investment policy.

With the exception of the "primary" dealers/brokers, a periodic review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Director of Financial Services or his/her designee as deemed necessary. The SEC closely monitors the primary dealers/brokers and hence a review will not be required. In addition, approved financial institution lists supplied by the Local Government Commission or Government Finance Officers Association or other reputable source will not require additional review by the Financial Services Department.

DIVERSIFICATION AND MAXIMUM MATURITIES

- I. Diversification – The investments shall be diversified by:
 - Limiting investments to avoid over concentration in securities from a specific issuer (excluding U.S. Treasury securities),
 - Limiting investment in securities that have higher credit risks,
 - Investing in securities with varying maturities, and
 - Continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- II. Maximum Maturities – To the extent possible, the City of Greenville shall attempt to match the maturity of investments with anticipated cash flow requirements. Investments shall be limited to maturities not exceeding 5 years from the settlement date. However, with specific approval of the Investment Committee, for a specific reserve, project, etc. the maturity may extend beyond 5 years.

SAFEKEEPING AND CUSTODY

- I. Internal Controls – The Director of Financial Services or his/her designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Greenville are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points:
 - Control of collusion
 - Separation of transaction authority from accounting and record keeping
 - Custodial safekeeping
 - Clear delegation of authority to subordinate staff members
 - Written confirmation of transactions for investments and wire transfers
 - Development and maintenance of a wire transfer agreement
- I. Safekeeping Arrangement – All securities purchased by the City of Greenville shall be held in third party safekeeping by the bank designated as the primary agent. A detailed receipt shall be issued by the primary agent (bank) for each security transaction, as well as, a monthly report detailing all securities held by the Trust Department of this bank.
- II. Delivery vs. Payment (DVP) – All trades where applicable will be executed by delivery versus payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds. A third-party custodian as evidenced by safekeeping receipts will hold securities.
- III. Collateralization – In accordance with the Government Finance Officers Association Recommended Practices on the Collateralization of Public Deposits, and as required by state law, full collateralization will be required on checking accounts and non-negotiable certificates of deposit.

REPORTING AND ANALYSIS

- I. Reporting – The Director Financial Services, or his/her designee, shall prepare an investment report monthly, which will be provided to the Investment Committee and City Council. The report will, at a minimum, include the following:
 - Listing of securities held at the end of the reporting period
 - Listing or chart of investments by maturity date
 - Percentage of the total portfolio that each type of investment represents (e.g. Certificate of Deposit, Government Agencies, etc.)
 - Percentage of the total portfolio “of” each issuer (e.g. Federal Home Loan Bank)
- II. Performance Standards and Market – The benchmark for the performance of the portfolio will be the 91-day rate. However, undue emphasis will not be placed on achieving any specific return. The safety and liquidity of the funds are the primary objectives.

POLICY CONSIDERATIONS

- I. Exemption – Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
- II. Amendments – This policy shall be reviewed periodically as deemed necessary. The Investment Committee must approve any changes and if so significant as to change the underlying direction of this policy, ultimate approval by City Council will also be required. Changes in the North Carolina General Statutes that are applicable to this policy will be incorporated, with subsequent notification provided to City Council.

Glossary of Terms used in the City of Greenville

Investment Policy

Following is a listing and a more detailed definition of the investing terms that appear in the City of Greenville’s Investment Policy. This glossary has been adapted from: 1) “Investment Terms for Everyday Use,” and an article which was published in the *Public Investor*, April 5, 1996, 2) “Collateralization of Public Deposits in North Carolina,” Harlan E. Boyles, State Treasurer, 3) “An Elected Official’s Guide to Investing,” Government Finance Officers Association.

Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of an FSA is the Federal National Mortgage Association (FNMA).

Bankers’ Acceptances – A time draft drawn on an accepted by a bank to pay a specified amount of money on a specified date. The draft is a primary and unconditional liability of the accepting bank. They are typically created for international trade transactions. They are backed by the

issuers' guarantee to pay, the underlying goods being financed, and the guarantee of the accepting bank (triple-barreled guarantee).

Bid – The indicated price at which a buyer is willing to purchase a security or commodity.

Broker – One who brings buyers and sellers together for a commission.

Certificate of Deposit – A time deposit that bears a specified interest rate, for a specified dollar amount, for a specified time period. They may be issued in negotiable or nonnegotiable form. Nonnegotiable CDS carry penalties for early redemptions and are the least liquid money market instrument available. They carry a penalty for early redemption.

Collateralization – Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security. Collateralization of public funds requires the financial institution to pledge government securities sufficient to cover public funds in excess of the FDIC insurance of \$100,000. There are two methods. The first is the “Dedicated Method,” which each public depositor’s deposits are secured separately, and which requires the establishing of a separate escrow account for each public depositor. The second is the “Pooling Method,” under which all public depositors’ deposits are secured through a single escrow account established by the depository with the State Treasurer for the benefit of the State and the participating units.

Commercial Paper – An unsecured short-term promissory note issued by corporations, with maturities, ranging from 2 to 270 days.

Credit quality – The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit risk – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Dealer – Makes markets in money market instruments by quoting bid and asked prices at which they are prepared to buy and sell for their own accounts.

Delivery Versus Payment (DVP) – A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Derivative Security – Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Diversification - A process of investing assets among a range or security types by sector, maturity, and quality.

Fair Value – The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Government Securities – An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See “Treasury Bills, Notes, and Bonds.”

Interest Rate Risk - The risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls – An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** – Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** – By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** – Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** – Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** – Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via FAX if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** – The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Investment Policy – a concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Liquidity – A characteristic of an asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) – An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-market – The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk – The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value – Current market price of a security.

Maturity – The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder.

Money Market Mutual Fund – Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management, and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licenses with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus that is updated and filed by the SEC annually.

National Association of Securities Dealers (NASD) – A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Primary Dealer – A dealer that buys government securities directly from the Federal Reserve Bank (the Fed) and that has met certain minimum financial criteria set by the Markets Reports Division of the Federal Reserve Bank of New York. To ensure that dealers have sufficient capital to support their activities and manage their risk exposure, the Fed requires primary dealers to maintain a minimum capital adequacy ratio.

Principal – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Repurchase Agreement (Repo or RP) – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Safekeeping – Holding of assets (e.g. securities) by a financial institution.

Swap – Trading one asset for another.

Treasury Bills – Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes – Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds – Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Volatility – A degree of fluctuation in the price and valuation of securities.

Yield – The current rate of return of an investment security generally expressed as a percentage of the security's current price.

CITY OF GREENVILLE INVESTMENT TRADING RELATIONSHIP AGREEMENT

In consideration of and as a prerequisite to conducting investment business with the City of Greenville, North Carolina, the undersigned investment/financial firm (hereafter firm) agrees to the following terms and conditions:

Eligible Investment Securities – The firm acknowledges that it has reviewed and is aware of the North Carolina State Statutes governing the investments that are eligible for purchase by local governments in North Carolina. The firm agrees to offer no investment to the City that does not meet these statutory and regulatory guidelines. A copy of the applicable general statute (NCGS 159-30) is enclosed. The investment/financial firm also certifies that they are a “primary dealer.” The Director of Financial Services will authorize any other financial institution.

Confirmation and Monthly Statements – The firm agrees that it will send or email confirmation on every transaction promptly to the following address:

City of Greenville		Director of Financial Services
Financial Services Department	-or-	bdemery@greenvillenc.gov
P.O. Box 7207		
Greenville, NC 27835		Financial Services Manager
		kbranch@greenvillenc.gov

Delivery Instructions – The firm agrees to deliver securities to the City delivery versus payment.

Financial Statements – The firm agrees to send its annual audited financial statements to the City within 180 days after the end of each fiscal year.

Cancellation – The City or the firm may immediately cancel this agreement upon written notification.

The undersigned authorized representative of the firm agrees, on behalf of the firm, that the provisions of this agreement will be followed and that if the city sustains losses as a result of the firm's failure to abide by this agreement, then the firm will be liable for the losses and will reimburse the City the amount of those losses. The firm also agrees that any changes to this agreement will not be effective unless authorized in writing by the Director of Financial Services.

“COPY”

REVIEW OF DRAFT BOARD AND COMMISSION POLICY – APPROVED

City Clerk Wanda Elks stated that the draft Board and Commission policy is a consolidation of all the boards and commission policies that have been established by previous and current Councils, both written and unwritten, put into one document to make it easier to have something to follow. It was sent to Council on February 17 with a request for comments. She went through the comments that had been received to see how the Council would like for them to be addressed.

- The policy doesn't address how many times a person can serve as a liaison to a particular board. Is this something they want to address?

Council Member Glover expressed that the Council Members should serve on different boards after two years to give them an opportunity to serve on different boards. After most Council Members expressed that they didn't feel there should be a limit, the City Clerk was instructed to incorporate that the individual Council Members should have the opportunity to speak with the Mayor to let him/her know how they would complement the particular board. Council Member Spell felt they should be able to keep the same boards if they wish to after two years. Mayor Parrott stated that he didn't have an objection to the Council Members changing among themselves. Council Member Dunn didn't want to see a time limit. She felt

they should be moved around to give people more of an opportunity to learn about other boards and commissions. Also, you can get more involvement from the citizens. Mayor Parrott suggested the Council Members make nominations to the liaisons if they know someone who would be a good member. Council Member Spell agreed that the person could meet to explain their rationale for the boards they are interested in. All meetings are open to everyone, so anyone can attend. The consensus of the Council was to add "They shall be provided an opportunity to discuss their choices."

- It was expressed that a person should not be eligible to serve on a board or commission if they did not meet the attendance requirement while serving on another board.

Council Member Little expressed concern about the person having a conflict. Council Member Spell stated that it is the responsibility of the liaison to find out why. People should be interviewed prior to being asked to serve. This should not be included.

- Will a courtesy letter be sent prior to replacing someone for failure to meet the attendance requirement?

The consensus of the Council was for this to be done and that it will come from the City Clerk's Office.

- It was suggested that they include the slotting on some of the boards in the policy. Does the Council wish to do that?

The consensus of the Council was that they did wish to do that.

- Allowing a person to serve on another board or commission without a one-year waiting period before going to another board. . When the policy was originally put in place, there were a lot of people interested in serving. The talent bank is done now. It was suggested that the one-year waiting period be eliminated.

The consensus of the Council was to eliminate the one-year waiting period if the person desires to serve on a different board and the person has to complete a full term prior to doing so to eliminate people switching from one board to another in the middle of their term.

City Clerk Elks reiterated that the policy presented to Council is exactly what they have now. She asked if there are any other changes the Council would like to see. She said that she would put this together, craft a resolution and present it to Council for adoption at the April meeting.

REVIEW OF MARCH 9, 2006 CITY COUNCIL AGENDA

The Council did a cursory review of the items on the March 9, 2006 City Council agenda and reviewed the appointments to Boards and Commissions.

COMMENTS FROM MAYOR AND CITY COUNCIL MEMBERS

Council Member Spell stated that the County Commissioners are looking at whether to relocate the detention center to downtown Greenville. He asked if the Council wished to take a position and send a letter of support. The Council felt that was the County's decision and the Council shouldn't take a stand. It was suggested that Council Members might individually want to express their opinion to the County Commissioners.

Council Member Spell stated that there is some confusion about the meeting schedule. He asked if the Council wished to look at revising it so that items would be divided more evenly. Council Members concurred that the items could be distributed more evenly on Monday and Thursday nights; however, they requested that the public hearings remain on Thursday night.

Mayor Pro-Tem Council stated that the Shaw University Bears won the CIAA in Charlotte.

Council Member Dunn announced the Community Appearance Commission Award winners for February: Pitt County Office Complex at 1717 West Fifth Street, the United States Courthouse Annex at 215 South Evans Street and Sutton Tire Corporate Offices at 1205 Dickinson Avenue.

Council Member Dunn congratulated the Greenville Utilities Commission members and staff that helped winterize a house.

Council Member Dunn stated that the Best-Irons Humanitarian Awards Banquet was last Saturday night.

Council Member Dunn stated that Spring Clean-Up begins March 25.

Council Member Glover stated that the second forum on Martin Luther King Jr. Drive will be held at 7:00 pm. on March 27 at the Eppes Center.

Council Member Glover stated that the Police Community Relations Committee will meet on March 8 at 7:00 p.m. in the Police Department Training Room.

CITY MANAGER'S REPORT

City Manager Bowers thanked the Council Members for attending Bill Richardson's retirement party.

City Manager Bowers announced that Assistant City Manager Thom Moton will begin work on March 13.

City Manager Bowers stated that he met with the International Association of Chiefs of Police Friday to continue the process to fill that important position. He received 120 applications and has narrowed the search down to six finalists who will be interviewed later this month. He hopes to make a decision by the end of March.

City Manager Bowers stated that the Chamber of Commerce inter city visit will be April 23-25.

ADJOURN

Motion was made by Council Member Craft and seconded by Council Member Dunn to adjourn the meeting at 8:20 p.m. Motion carried unanimously.

Respectfully submitted,

Wanda T. Elks, MMC
City Clerk